

AN AUDIT

SOCIAL DEVELOPMENT COMMISSION

CHILD AND ADULT CARE FOOD PROGRAM

April 2000

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April 12, 2000

Ms. Deborah Blanks, Executive Director
Community Relations-Social Development Commission
231 West Wisconsin Avenue
Milwaukee, Wisconsin 53203-2306

Dear Ms. Blanks:

We have completed a limited-scope audit of reimbursements received under the Child and Adult Care Food Program (CACFP) administered by the Community Relations-Social Development Commission (SDC) during the period March 1, 1997 through March 31, 1999, as requested by the Wisconsin Department of Public Instruction (DPI). In addition, as requested by DPI, we reviewed selected areas to determine whether SDC implemented corrective action to address concerns raised in a federal audit of its administration of CACFP. Our review was performed in accordance with the procedures prescribed by contract with DPI and generally accepted government auditing standards.

During our audit period, SDC received \$3.9 million in federal reimbursements for meals served to eligible children at 83 after-school, day care, and Head Start centers under its sponsorship. However, because SDC did not require the centers to maintain adequate meal service records and did not monitor them sufficiently, we found substantial noncompliance with state and federal documentation requirements. We questioned \$1,242,000, or almost 32 percent of the federal funds received under the food program during our audit period, for over 646,000 meals that were not adequately documented and almost 56,000 meals for which there was not sufficient effort to adjust quantities ordered for anticipated absences. However, we also found that SDC was eligible for an additional \$3,000 in federal funding and has repaid DPI for \$154,000 in questioned costs. Therefore, the net amount questioned for our audit period is \$1,085,000.

Except for the absence of documentation that SDC did not require centers to maintain, we have no reason to believe that centers did not serve meals to children. However, our role as auditors is to question all meals for which attendance and other records were not available or for which centers did not appropriately adjust meal orders. It is SDC's responsibility to resolve our audit findings with DPI. The actual amount SDC may be required to repay may be more or less than our questioned costs. It should be noted that on April 5, 2000, after we had provided our audit report to the agency, SDC suggested additional attendance information for children may be available from Milwaukee County, which may have collected the information for other program purposes. DPI may consider this new information in resolving SDC's questioned costs.

In our review of other areas requested by DPI, we found SDC has taken reasonable steps to address concerns previously identified by the federal government in its audit. SDC has established a separate, interest-earning bank account for deposit of CACFP funds and has credited \$44,000, representing interest the federal government determined was earned by CACFP but not credited to the program, to CACFP accounts. However, we note that SDC needs to credit an additional \$2,276 for interest earned

on CACFP funds after the period reviewed by the federal government. Finally, at the request of DPI, we reviewed SDC's recording of work effort to CACFP and the federal Summer Food Service Program. SDC has reasonable procedures to ensure work effort is fairly and accurately recorded between the two programs.

While SDC has taken steps to address concerns related to the administration of CACFP, we include several recommendations for improved control. SDC's response is Appendix X.

Our auditors found your staff to be helpful and responsive to their requests. We appreciate the courtesy and cooperation extended to us during our limited-scope review.

Sincerely,

Janice Mueller
State Auditor

JM/BN/ao

cc: Richard Mortensen, Director
Food and Nutrition Services
Wisconsin Department of Public Instruction

INTRODUCTION

The Community Relations-Social Development Commission (SDC) provides various services to low-income individuals in the Milwaukee County area. SDC is also the federally designated community action agency for Milwaukee County and, as such, is eligible to apply for and administer federal anti-poverty funds for a variety of programs. During calendar year 1998, SDC spent \$27.7 million in federal, state, local, and private funds to support its programs.

One federal program in which SDC participates is the Child and Adult Care Food Program (CACFP), which is designed to ensure that eligible children and older adults who are enrolled for care at participating centers receive nutritious meals and snacks. As a condition of accepting federal funding, SDC; the Wisconsin Department of Public Instruction (DPI), which is the state agency that administers CACFP; and participating child care centers must administer CACFP in accordance with federal and state rules.

DPI has overall responsibility for compliance with federal CACFP requirements and establishes statewide policies and procedures for institutions such as SDC, school districts, child care centers, and others that participate in the program. To ensure compliance with CACFP requirements, DPI is required by CACFP rules to perform on-site monitoring of food service operations. In addition, DPI is required to ensure institutions receiving CACFP funding are subject to annual federal compliance audits under the Single Audit Act of 1984, as amended.

While SDC does not participate in the adult portion of CACFP, it does, under a grant agreement with DPI, sponsor child care centers in the Milwaukee area and prepares and provides federally funded breakfasts, lunches, snacks, and suppers for the centers to serve eligible children. As the sponsoring organization, SDC assumes administrative and financial responsibility for CACFP activities at participating child care centers, including responsibility for ensuring CACFP rules are followed. These rules require SDC and the centers to serve meals that meet minimum nutrition guidelines; to store, prepare, and serve meals under clean and sanitary conditions; to request federal reimbursement only for meals served to children who meet eligibility requirements; and to maintain adequate documentation that the meals were, in fact, served to eligible children. Since SDC does not charge the child care centers for meals served to eligible children, it retains the federal funding and, generally, does not pass any money through to the centers.

SDC enters into written agreements with the centers and provides policies and procedures for them to follow to fulfill program requirements. SDC is also required to perform on-site monitoring at the centers to ensure compliance with CACFP policies and procedures.

As part of a nationwide audit directed at identifying excessive federal reimbursements received under CACFP, as well as other noncompliance with federal requirements, the U.S. Department of Agriculture's (USDA's) Office of Inspector General reviewed SDC's food program operations, with emphasis on the period January 1998 through May 1998. In its report, issued in December 1998, the Office of Inspector General found that SDC did not monitor to ensure that the child care centers maintained sufficient documentation to support the number of meals claimed for reimbursement under CACFP and that SDC did not maintain an adequate system of internal controls to properly account for CACFP funds. In response to that audit, USDA directed DPI to audit the meals SDC claimed for reimbursement for the period March 1997 through March 1999 and to take steps to ensure SDC's compliance with federal CACFP requirements.

During this period, SDC sponsored 83 child care centers, prepared over 3.4 million meals for the centers to serve to eligible children, and requested and received \$3.9 million in CACFP funds from DPI. The smallest of the 83 centers cared for about 10 children, and the largest for over 100. They provided services that could include day care, after-school care, or Head Start services.

At the request of DPI, we performed a limited-scope audit of SDC's administration of its food program. We tested records prepared by child care centers sponsored by SDC from March 1997 through March 1999 to determine the dollar amount of any excessive or unsupported meal reimbursements paid to SDC. In addition, we reviewed SDC's efforts to address other concerns raised in the Inspector General's report, including:

- whether SDC reimbursed CACFP for \$220,545 or another amount, if appropriate, to reflect the current CACFP surplus balance;
- whether SDC properly credited CACFP accounts with \$44,206 in interest income that the Office of Inspector General determined should have been credited to those accounts; and
- whether SDC's accounting system ensures all money received for CACFP is properly accounted for, and any interest earnings are credited to the program.

In addition, at the request of DPI, we analyzed whether SDC fairly and accurately charges costs related to employee work effort to CACFP and the federal Summer Food Service Program, which is a similar, though separate, federal program intended to provide nutritious meals to eligible children after the school year ends.

To perform our limited-scope audit, we reviewed relevant state and federal rules and regulations related to the administration of CACFP and the Summer Food Service Program; reviewed the Office of Inspector General's report and various correspondence between SDC, DPI, and USDA; interviewed staff at SDC, some of the SDC-sponsored

child care centers, DPI, USDA, and the Office of Inspector General; and performed tests and other procedures based on records provided by SDC, the SDC-sponsored centers, and DPI.

We conducted our audit in accordance with procedures prescribed by our contract with DPI and with generally accepted government auditing standards. As requested by DPI, we limited our audit to reimbursements received by SDC for lunches and suppers, both because SDC receives a lower per meal reimbursement for breakfasts and snacks and because these meals were not tested by the Office of Inspector General. We limited our eligibility testing to after-school centers because our discussions with Office of Inspector General staff indicated their testing did not detect significant eligibility concerns for other types of child care centers. In addition, we did not test for compliance with other CACFP requirements, such as ensuring the minimum nutrition amounts were included in meals served, because this was not required by USDA and because these requirements are to be tested by other auditors as part of SDC's annual audit required under the Single Audit Act of 1984, as amended.

MEAL REIMBURSEMENTS

We reviewed SDC's policies and procedures to document lunches and suppers served to children and tested centers' compliance with federal documentation standards. During our audit period, SDC received over \$2.6 million as reimbursement for about 1.5 million lunches and suppers, for an average per meal reimbursement of approximately \$1.77.

In 7 CFR 226.10(d) and 7 CFR 226.15(e)(4) and (g), the federal government requires participating child care centers to document the number of participants in attendance and the number of meals served to participants, and to maintain these records for the current fiscal year plus three additional years. USDA's FNS Instruction 796-2, Revision 2, Section IX C1, dated June 28, 1994, further requires that the daily records be prepared at the point of service, meaning the place and time the meals are actually served, because attendance records, by themselves, are not sufficient to document that meals were actually served to eligible children. In its July 1996 Guidance Memorandum 9C, DPI also specified the State's minimum CACFP record requirements and the need to keep daily attendance records, including the first and last name of each enrolled child, for the current year plus the following three years.

We found SDC's record-keeping policies during our audit period were not as stringent as would be expected to promote full compliance with state and federal rules. For example, even though SDC's *After School Rules and Regulations* emphasized the use of point-of-service record-keeping, SDC did not require after-school centers to document participants' names on the point-of-service records. Therefore, these centers generally did not meet the requirement to maintain daily attendance records. In addition, SDC's *Day Care Rules and Regulations* in effect prior to February 1999 stated that day care centers should keep attendance sheets for six months, even though CACFP rules require that they be kept for the current year and the three preceding years.

Centers also prepare weekly reports summarizing the number of lunches or suppers ordered and delivered by SDC; the number and type of meals served to enrolled children; and the number of meals discarded or otherwise used, such as those served to adults or children 13 years or older, who generally are not eligible for subsidized meals under CACFP. The centers forward the weekly reports to SDC, which summarizes the information for all centers and submits a monthly report to DPI along with its request for reimbursement. DPI reviews the monthly report for overall reasonableness and, if the report is approved, remits the requested funds to SDC. DPI, in turn, receives reimbursement from the federal government under the CACFP grant program.

Documentation of Meals

Because SDC's meal documentation policies did not meet minimum federal requirements, it is not unexpected that many centers did not prepare or retain sufficient records to support meals claimed during our audit period. USDA's Office of Inspector General visited 27 centers and questioned \$32,354 for 18,337 meals that SDC claimed for reimbursement under CACFP for the month of January 1998, but for which the centers did not maintain sufficient documentation.

We generally followed the same testing methodology used in the Office of Inspector General's review, which accepted alternative documentation, including attendance sheets, sign-in sheets, parent signatures on child drop-off sheets, and other records that indicate the number and identify the children who were present for at least part of the day for which SDC claimed reimbursement for meals. For meal count or other alternative attendance records provided, we compared the documented attendance figures to the number of meals reported to SDC in the centers' weekly reports, which SDC later included in the amounts requested for reimbursement from DPI. We questioned any meals claimed for reimbursement in excess of the number of children documented as being present. In addition, we took into consideration attendance records that specified the times children were at the centers, which could be used to determine whether they were present when meals were served. As did the Office of Inspector General, we also questioned any meals for which centers did not maintain daily meal count and other attendance records. We did not accept as alternative documentation the weekly meal summaries prepared by the centers and submitted to SDC, because these summaries do not identify, as required by federal and state rules, the children who were served meals.

We focused our audit effort on centers at higher risk of claiming undocumented meals. In order to do this, we:

- arranged for the 83 participating centers to deliver daily attendance or other meal count records to SDC's main offices for our review. For each center, we requested records for up to four months, varying the months to ensure we selected some records for each of the 25 months of our audit period.
- assessed, based on these records, each center's level of documentation to support the number of meals served and reported to SDC in the weekly summaries;
- requested and reviewed records for additional months when centers that we assessed as being at a higher risk of not adequately documenting their meals served had maintained records; and

- performed on-site audit procedures at those centers that maintained records but that we assessed as having the highest risk of not adequately documenting meals served.

Our audit approach allowed us to audit efficiently, based on our risk assessment and practical audit considerations. However, there could be concerns with accepting documentation forwarded from the centers, rather than obtaining the documentation directly from the centers' files. For example:

- It is possible that the centers had records that would have better established their claims but were not forwarded to SDC for our review. For example, one center, the Helwig Family Center, originally provided only minimal attendance records for two of the four months that we requested, and we initially assessed the center as having a higher risk of unsupported meals. When we performed on-site audit work, we found that the center's staff had inadvertently not forwarded all of the available records to SDC's main offices. We reviewed the additional records available at the center at the time of our visit and determined that it had, in fact, maintained reasonable documentation of meals served for the months we reviewed. Late in the audit process SDC provided, and we reviewed, records for additional months.
- Since we requested that attendance records be made available for our review at SDC's offices, most child care centers submitted photocopies of their records, maintaining the originals on site. As a result, there is increased risk that the centers prepared documentation only after our request, or that the copies provided were not true copies of original documents.

Based on our initial review of forwarded records, we assessed 31 centers as having a lower risk of not maintaining documentation for meals for which SDC received CACFP reimbursement. We assessed 23 centers as having a higher risk and reviewed additional attendance or meal-count records either at SDC or on-site for those centers assessed at the highest risk, to determine the extent to which meals claimed for reimbursement were not adequately supported. We did not perform extensive review of 29 other centers because they either did not prepare documentation required under federal and state CACFP rules; did not keep necessary documentation that they may have, in fact, prepared; would not forward requested records to SDC for our review; or had records for only a few months during our audit period. Appendix I lists the 83 child care centers sponsored by SDC during our audit period and, if a center is no longer under SDC's sponsorship, the month and year the center left the program. Appendix II summarizes, by month, the number of meals questioned for each center during our audit period.

Centers with More Complete Records - We identified 31 centers that, for the months initially requested, generally provided sufficient attendance or meal count records to reasonably support the number of meals SDC claimed for reimbursement. Appendix III

presents the results of our testing for each of the 27 centers that maintained records for all of the months requested, and Appendix IV presents similar information for the four centers that maintained records for most of the months in our audit period.

Nine of these centers were Head Start centers that maintained attendance records required under the Head Start program, which we accepted as support for meals served under CACFP. While the lower-risk centers' records did not support all meals claimed, the number of unsupported meals was, in relation to the other centers, low enough to not warrant further audit effort. For example, even though the Salvation Army-Citadel had a high percentage of unsupported meals, as shown in Appendix III, we assessed it was lower-risk because it claimed relatively few meals during our audit period.

As summarized in Table 1, of the 380,178 meals claimed during our audit period, the 31 centers with more complete records maintained documentation for months during which 362,286 meals were claimed but did not maintain documentation for months during which 17,892 meals were claimed.

Table 1

Meal Summary for Centers with More Complete Records
March 1997 through March 1999

	Total Meals Claimed	Meals Claimed for Months Documentation Was Not Available	Meals Claimed for Months Documentation Was Available
Meals Claimed by Centers that Maintained Records for All Months	327,786	0	327,786
Meals Claimed by Centers that Maintained Records for Most Months	<u>52,392</u>	<u>17,892</u>	<u>34,500</u>
Totals	380,178	17,892	362,286
Dollar Value*		\$31,631	

* Based on an average meal reimbursement of \$1.7679 per meal during our audit period.

We tested 69,332 of the 362,286 meals claimed during months these centers maintained documentation. As shown in Table 2, we found 1,308 meals, or 1.89 percent of the amount tested, were not supported by adequate attendance or other documentation.

Table 2

Testing Summary for Centers with More Complete Records
 March 1997 through March 1999

	<u>Number of Meals Tested</u>	<u>Unsupported Meals</u>	<u>Percentage</u>
Meals Claimed by Centers that Maintained Records for All Months	65,697	1,279	1.95%
Meals Claimed by Centers that Maintained Records for Most Months	<u>3,635</u>	<u>29</u>	0.80%
Totals	69,332	1,308	1.89%
Dollar Value*		\$2,312	

* Based on an average meal reimbursement of \$1.7679 per meal during our audit period.

For these 31 centers, we question a total of \$33,943, consisting of \$31,631 received by SDC for 17,892 meals for which no documentation was maintained, and \$2,312 received by SDC for 1,308 tested meals that were not supported by attendance or meal count records. In addition, for the months with available documentation that we did not test, we question an undetermined amount for meals that may not have been supported by acceptable attendance records or meal count records.

We note that except for the absence of records, we have no reason to question most of the lunches and suppers these 31 centers did not document. Had SDC consistently instructed centers to maintain daily records listing the eligible children present for meals, and to keep all of the records for the minimum period required by federal rules, documentation would likely have been available to support many of the 17,892 meals that we question due to lack of documentation. Based on discussions with various center supervisors, the primary reason centers did not retain records is that SDC's policy did not require them to be retained for more than six months. In addition, records may have been discarded when centers moved or when new supervisors assumed responsibility for center operations.

Centers with Problematic Records - Our initial review of attendance records indicated that 23 centers had some attendance or meal count records available for review, but that these records in most cases did not reasonably support a high percentage of the meals claimed for reimbursement. We selected those centers that appeared to have significant unsupported meals and performed on-site audit work to determine, for selected months,

the number of unsupported meals. For other centers, we requested that SDC arrange to have additional attendance records provided for our review at its central offices. Appendix V presents the results of our testing for each of the 23 centers with problematic records.

Many of these 23 centers did not have records for all of the months that we requested. For example, we requested VA-YMCA Child Care Center to provide attendance records for all months during our audit period. However, this center was able to provide us records only for April 1998 and September 1998 through March 1999. Late in the audit process, SDC obtained additional records for January 1998 through March 1998, and for June 1998 through August 1998. We do not know whether this center discarded or misplaced records for the remaining months, or did not prepare them at all.

We found that other centers showed marked improvement in their record-keeping shortly after the Office of Inspector General concluded its field work. For example, Esperanza Del Futuro consistently did not maintain sufficient documentation for several hundred meals each month between July 1997 and June 1998. However, starting in July 1998, this center began to maintain reasonable attendance records to support the meals claimed for reimbursement. We used judgment in selecting which months to test for centers showing improvement and did not necessarily test records for all months during our audit period.

A special situation exists for ABC Day Care, Inc., and Alphabet Street Preschool. These centers informed SDC staff that records were available for review at the centers for some or all of the months during our audit period, but that they would not deliver all of the requested records to SDC's offices for our review. We reviewed any records they did provide but, since SDC is responsible for providing requested records, we considered as undocumented any meals for which we were not provided the requested documentation.

As shown in Table 3, SDC claimed reimbursement for 593,085 meals served by the 23 centers with problematic records. However, these centers did not provide any documentation for months during which SDC claimed reimbursement for 149,992 meals; therefore, we were unable to test whether these meals were served to eligible children.

Table 3

Meal Summary for Centers with Problematic Records
 March 1997 through March 1999

	Total Meals Claimed	Meals Claimed for Months Documentation Was Not Available	Meals Claimed During Months Documentation Was Available
Centers Visited	279,809	19,480	260,329
Centers that Delivered Additional Records to SDC for Review	270,679	93,171	177,508
Centers that Would Not Deliver Records to SDC	<u>42,597</u>	<u>37,341</u>	<u>5,256</u>
Totals	593,085	149,992	443,093
Dollar Value*		\$265,171	

* Based on an average meal reimbursement of \$1.7679 per meal during our audit period.

We tested 397,389 of the 443,093 meals claimed during months centers maintained documentation. As shown in Table 4, 79,436 meals, or 19.99 percent of the number tested, were not supported by adequate attendance or other documentation. SDC received \$140,435 in reimbursement for these unsupported meals.

We question a total of \$405,606, consisting of \$265,171 SDC received for 149,992 meals for which centers did not maintain or would not deliver adequate documentation, and \$140,435 for 79,436 unsupported meals for those months that centers maintained documentation. In addition, we question an undetermined amount that SDC received for the 45,704 meals for which records were available, although we did not test the records. We do not believe the undetermined amount to be significant because the untested meals were claimed by those centers that showed marked improvement in their record-keeping.

Table 4

Testing Summary for Centers with Problematic Records
March 1997 through March 1999

	<u>Number of Meals Tested</u>	<u>Unsupported Meals</u>	<u>Percentage</u>
Centers Visited	246,175	52,769	21.44%
Centers from which Additional Records Were Requested	147,595	26,148	17.72
Centers that Would Not Deliver Records to SDC	<u>3,619</u>	<u>519</u>	<u>14.34</u>
Totals	397,389	79,436	19.99%
Dollar Value*		\$140,435	

* Based on an average meal reimbursement of \$1.7679 per meal during our audit period.

As with the centers with more complete records, except for the absence of records we are not aware of anything to indicate that the centers included in Tables 3 and 4 did not serve meals to eligible children during the months that records were not retained. For instance, we question 406 meals claimed by Sallie's Loveland for January 1998 because not all records were available for our review. These records presumably were available at the time of the Office of Inspector General's audit, since USDA did not question any meals for this center. However, we note that for the months for which documentation was maintained, our test results indicate that these 23 centers had a higher percentage of unsupported claims than did the centers summarized in Tables 1 and 2.

No or Limited Records Available - As noted, we requested that SDC staff contact all 83 centers initially to obtain attendance records for up to four months during our audit period. Appendix VI provides information on the 12 centers, including 9 after-school centers, that did not provide any records for the months requested and informed SDC that records were not available. After-school centers generally did not maintain acceptable documentation because SDC's policy required these centers to note only the number of meals served, without also indicating the names of children as required by federal and state rules.

One of these 12 centers, New Beginnings Child Care Center, provided photocopies of records that do not appear to represent true copies of original attendance sheets for the months that we initially requested. Therefore, we did not accept any records for this center and considered all 11,686 meals claimed during our audit period as undocumented. This center no longer participates in SDC's food service program. We advised DPI in a separate audit communication of the need to determine whether this center receives food under CACFP through a different sponsor and, if so, to make a thorough review of requests for reimbursement of this center's meals.

In addition to the centers that had no documentation, another 17 centers, 7 of which were after-school centers, kept records for less than half of the months in our audit period, as summarized in Appendix VII. While we tested the records that were provided, we did not request additional records from these 17 centers which, compared to the others, did not maintain records for enough months to justify additional audit effort.

As shown in Table 5, the 29 centers with limited or no records did not maintain any documentation for 396,542 meals served during our audit period, for which SDC received \$701,047 in reimbursement.

Table 5

Meal Summary for Centers with No or Limited Records
March 1997 through March 1999

	Total Meals <u>Claimed</u>	Meals Claimed for Months Documentation Was Not <u>Available</u>	Meals Claimed During Months Documentation <u>Was Available</u>
Centers with No Records	158,683	158,683	0
Centers with Limited Records	<u>297,529</u>	<u>237,859</u>	<u>59,670</u>
Total	456,212	396,542	59,670
Dollar Value*		\$701,047	

* Based on an average meal reimbursement of \$1.7679 per meal during our audit period.

We tested 26,590 of the 59,670 meals claimed during months that the 17 centers with limited records had maintained documentation. As shown in Table 6, 1,722 meals were not supported by adequate attendance or other documentation. SDC received \$3,045 in reimbursement for these unsupported meals.

Table 6

Testing Summary for Centers with Limited Records
March 1997 through March 1999

	<u>Number of Meals Tested</u>	<u>Unsupported Meals</u>
Total	26,590	1,722
Dollar Value*		\$3,045

* Based on an average meal reimbursement of \$1.7679 per meal during our audit period.

We question \$704,092, consisting of \$701,047 that SDC received as reimbursement for the 396,542 meals for which the centers did not maintain required documentation, and \$3,045 received for the unsupported meals that we did test. We also question an additional, but undetermined, amount for 33,080 meals served in months for which documentation was available, but which we did not test.

As with other centers, except for the absence of records, we are not aware of anything to indicate that the centers included in Tables 5 and 6 did not serve meals to eligible children during the months that records were not retained. However, it is likely that the number of undocumented meals for which SDC was reimbursed is greater than the number of children actually in attendance.

Summary of Questioned Meals - In summary, we determined that SDC-sponsored centers had insufficient or no supporting records for 39.5 percent of the meals claimed during our audit period, as shown in Appendix VIII. As shown in Table 7, we question \$1,143,641 that SDC received for claimed meals that were not adequately supported. This total consists of \$944,202 for meals claimed during months that centers did not retain any documentation; \$53,647 for additional meals that we considered undocumented because centers would not forward records to SDC; and \$145,792 for

tested meals that we found to be unsupported because the meal count was in excess of the number of children documented as being present. In addition, we question an unknown amount for months that we did not review available documentation.

Table 7

Dollar Value of Questioned Meals Claimed for All Centers
March 1997 through March 1999

Meals Claimed During Months Centers Did Not Maintain Documentation	\$944,202
Meals for which Centers Would Not Deliver Documentation to SDC	53,647
Meals Tested but Unsupported*	<u>145,792</u>
Total Dollar Value of Questioned Meals	\$1,143,641

* We also question an additional, but undetermined, amount for undocumented meals served for months for which we did not test records maintained by the centers.

As previously noted, except for the lack of documentation, we have no reason to believe that centers did not serve meals to eligible children. The federal and state documentation requirements are clear, and it is our role is to question all meals for which records are not available. However, it is SDC's responsibility to resolve these questioned costs with DPI and the federal government, and the amount that SDC may have to repay may differ from the amount that we question.

SDC's Efforts to Improve Record-Keeping - SDC acknowledges that it did not adequately monitor to ensure all of the state and federal CACFP rules were being consistently followed and that its record-keeping policies for the centers during our audit period did not comply with the minimum state and federal requirements. While SDC is primarily responsible for ensuring compliance with CACFP rules, DPI, as the State's administering CACFP agency, is also expected by federal rules to monitor and perform on-site visits at SDC and the centers. However DPI's efforts in this area did not detect that SDC and the centers were not following all state and federal record-keeping rules and, as a result, noncompliance continued to occur for an extended period of time.

In response to the Office of Inspector General's audit, SDC has taken steps to meet minimum meal documentation requirements. SDC:

- worked with DPI to change record-keeping policies and procedures, effective March 1999, and informed participating centers of the minimum state and federal requirements;
- provided mandatory training on its revised CACFP policies and procedures, including record-keeping, to the centers in March 1999;
- required centers to enter into new agreements that specify record-keeping requirements. These agreements state that if centers violate any aspect of the agreement or USDA rules and regulations, they will be required to reimburse SDC for ineligible meals served and face possible suspension or termination from SDC sponsorship; and
- increased monitoring efforts, emphasizing record-keeping and retention requirements.

While we did not test the effectiveness of these efforts because they were implemented after our audit period, we believe that if they are effectively performed, they will reduce the extent to which centers report unsupported meals to SDC. However, it is important that SDC's monitoring efforts be focused on training center staff on SDC's policies and procedures and on ensuring that monitors are strictly and consistently enforcing compliance. For this reason, we believe SDC should emphasize monitoring efforts during the next six months to ensure the efforts are successful. Therefore, *we recommend the Social Development Commission give heightened emphasis to its monitoring efforts of participating centers, to ensure that all applicable policies and procedures are strictly and consistently enforced.*

We also note that many of the centers with problematic records and those that maintained limited or no documentation have withdrawn from SDC sponsorship. As indicated in Appendix I, 40 of the 83 centers are no longer sponsored by SDC. At least 27 of these centers are now sponsored by another nonprofit organization in the Milwaukee area. We have advised DPI in a separate audit communication to ensure that these 27 centers are complying with documentation and other requirements during its on-site visits with the other nonprofit sponsoring organization.

Second Servings Claimed

According to federal rules, SDC and the child care centers are required to plan for and order meals on the basis of current participation trends, with the objective of providing one serving per child for each meal served. To accomplish this, centers are expected to adjust the number of meals ordered from SDC based on the anticipated number of children eating lunch or supper, taking into consideration holidays, planned absences, and illnesses. In addition, if extra meals are ordered, centers may safely store and serve

them the next day. If, on the other hand, centers do not order enough meals to serve all of the children, the centers may serve alternative meals that meet minimum federal nutrition guidelines, such as milk, sandwiches, and fruit prepared from food supplies stored on site.

If centers make reasonable efforts to limit meals ordered to one per child, federal and state CACFP rules allow SDC to receive reimbursement for second servings provided to eligible children. However, if reasonable efforts are not made, then, according to DPI staff, the second meals are ineligible for federal reimbursement.

SDC received \$126,467 in CACFP funding for 71,535 second servings claimed during our audit period. All of SDC's centers, with the exception of the Head Start centers, claimed second servings. Head Start centers generally serve "family style" meals, for which federal rules do not allow reimbursements for second servings. SDC's agreements with the centers during 1997 and 1998 required centers to order meals based on average daily attendance. However, other than reviewing to ensure that the number of meals ordered did not exceed the number of children enrolled at the centers, SDC did not take steps to ensure centers made reasonable efforts to limit meals ordered to one per child.

We reviewed meal orders and the weekly meal reports that centers submitted to SDC to determine whether, in our judgment, centers made reasonable efforts to adjust their orders to ensure one serving per child and to minimize the number of extra meals prepared by SDC. Unlike the Summer Food Service Program, which is also administered by USDA and which limits second servings to no more than 2 percent of the number of first servings, CACFP does not specifically limit the number of second servings. Therefore, to assess the reasonableness of the number of second servings reimbursed by CACFP, we considered a number of factors for each center, including the number of second servings claimed each month, the percentage of second servings to total meals claimed, fluctuations in the number of meals ordered and the number discarded, and unusual fluctuations in attendance. For example, we generally considered as reasonable second servings totaling up to 5 percent of the number of meals claimed during the week. For smaller centers, we generally accepted as reasonable up to 10 second servings per week.

We found that for many months, SDC's centers did not make reasonable efforts to limit servings to one per child. For example:

- Oklahoma Avenue Lutheran Day Care Center did not adjust its meal orders during March 1997 and claimed 133 second servings, or more than 16 percent of the 812 first servings during the month.

- Helwig Family Center claimed 720 second servings during February 1998, which was over 22 percent of the number of first servings provided that month. This center adjusted its meal orders for only one week but still reported 154 second servings during that week.
- Family Child Development Center claimed 66 second servings during March 1999, which was 75 percent of the first servings for that month. This center ordered 12 meals per day, even though only about seven first servings were provided to children.

We do not question second servings for nine of SDC's centers because these centers appear to have made reasonable efforts to limit their meal orders to one per child, or the number of second servings claimed did not appear excessive. While some of the other centers made efforts to adjust their meal orders, efforts were not consistently made for all of the months during our audit period and, as noted, DPI has determined that SDC is not allowed to be reimbursed for second servings if reasonable efforts are not made. As shown in Table 8, we question 55,902 second servings for which SDC was reimbursed \$98,829 for those months that, in our judgment, centers did not make reasonable efforts to adjust meal orders to reflect anticipated attendance. Second servings claimed and questioned for each center are detailed in Appendix IX.

Table 8

Summary of Second Servings
March 1997 through March 1999

	Second Servings <u>Claimed</u>	Second Servings <u>Questioned</u>
Totals	71,535	55,902
Dollar Value*	\$126,467	\$98,829

* Based on an average meal reimbursement of \$1.7679 per meal during our audit period.

In its June 10, 1999 letter to DPI, SDC indicated that it had ceased seeking CACFP reimbursement for second servings, waiting for USDA clarification of certain CACFP rules and the results of our audit. In addition, SDC remitted \$122,146 to DPI as reimbursement for second servings claimed during our audit period. Since we question \$98,829, we believe SDC is entitled to a refund of \$23,317 from DPI for allowable second servings provided and claimed during this period.

If SDC resumes seeking reimbursement of allowable second servings, we believe it needs to improve its current second-serving policy. Although currently not seeking CACFP reimbursement for second servings, SDC's policy, effective February 1999, states that "SDC will not report to DPI for reimbursement any meal in excess of a site's average daily attendance in a month, which also includes discarded meals." Although this policy limits the number of second servings, it may not sufficiently limit those centers that typically serve fewer meals than the number of children in attendance during at least part of the day. For example, a daily average of 44 children attended Mount Olive Day Care in March 1999, but the center served an average of only 36 meals. Therefore, SDC's current policy would have allowed up to eight second servings each day, or over 20 percent of the average of first meals served, regardless of the center's efforts to limit meals to one serving per child.

On the other hand, SDC's policy would disallow any second servings for centers that provide at least one meal to each child in attendance, even though the centers may have taken reasonable steps to ensure they did not order excessive meals. For example, according to weekly reports submitted by the Pieper Boys and Girls Club for January 1999, that center's monthly attendance was 1,933, which equals the number of first servings claimed. According to SDC's policy, the 47 second servings this center claimed would be unallowable, regardless of whether or not the center reasonably adjusted meal orders.

As noted, in March 1999, SDC provided mandatory CACFP training for its centers. In this training, SDC provided the centers with its updated meal serving policy, revised site agreements and rules and regulations, and SDC's Food Service Monitoring Plan, and it emphasized policies and rules intended to limit meal orders to approximately one per child. In addition, SDC now requires centers to use standard daily attendance sheets and to place a second checkmark to indicate which children receive second servings. While these steps should help encourage centers to more appropriately adjust meal orders, we believe additional steps are necessary to ensure compliance with second serving rules. To ensure SDC and DPI are in agreement regarding what second servings are allowable, SDC would benefit by developing mutually agreed-upon policies and procedures with DPI.

If SDC desires to seek CACFP reimbursement for second servings, *we recommend the Social Development Commission:*

- work with Department of Public Instruction staff to develop policies and procedures to evaluate the reasonableness of second serving claims (for example, policies could establish a certain maximum percentage of allowable second servings that may be claimed in addition to first servings);
- perform periodic desk reviews of the number of second servings, which could consist of using judgment to select a number of centers and determining whether the centers are reasonably following the revised policies and procedures; and
- perform on-site monitoring to ensure centers understand and are in compliance with second-serving policies and procedures.

SDC's Requests for Reimbursement

As noted, the various child care centers submit weekly reports to SDC that summarize attendance information and the number of meals delivered, first and second servings provided, meals discarded, and other information. SDC enters information from the weekly summaries into electronic spreadsheets, which serve as the basis for the meal reimbursement requests from DPI.

We tested whether SDC correctly entered weekly attendance and meal information for approximately one-third of the weekly summaries submitted to it by the centers over our audit period, as well as the mathematical accuracy of SDC's spreadsheets. In addition, we tested SDC's requests for reimbursement submitted to DPI. We found various data entry errors, errors in formulas, and missing formulas in SDC's spreadsheets. For example:

- SDC under-claimed 100 suppers for Silver Spring Neighborhood Center for the week ending September 19, 1997, because staff entered the incorrect number of meals delivered and first meals served on the spreadsheet;
- SDC's formulas in its electronic spreadsheet did not properly exclude a total of 186 adult meals served in April, July, August, and November 1998 for the Helwig Family Center, resulting in an overstatement by the same amount in the number of eligible first meals requested for reimbursement;
- for the week ending February 26, 1999, SDC did not include a weekly total formula on the electronic spreadsheet for the Sherman Park Preschool, resulting in 340 lunches not being included in monthly meal totals; and

- on its December 1998 request for reimbursement, SDC entered 440 as the number of suppers served by the Hillside Boys and Girls Club, rather than the 1,140 suppers the center reported on its weekly summaries and SDC entered on its electronic spreadsheet.

In total, our testing identified a net error of 1,492 meals valued at \$2,638 for which SDC could have, but did not, seek reimbursement from DPI. Many of these errors could have been eliminated had more care been taken in entering information on the electronic spreadsheet. In addition, other errors would not have occurred had the formulas been present or correct. Finally, while the interim Director of Program Services performs a limited supervisory review of the reimbursement requests submitted to DPI, the review does not cover the supporting electronic spreadsheets to ensure the requested amounts are consistent with the underlying spreadsheets.

We recommend the Social Development Commission:

- ensure amounts included in the various centers' weekly reports are accurately entered on its electronic spreadsheet. This could reasonably be accomplished by including check figures in the spreadsheets to compare the number of meals served or discarded to the number of meals delivered, and investigating any instances in which the amounts do not match.
- review all formulas in the electronic spreadsheets to ensure their accuracy; and
- ensure that the requests for reimbursement submitted to the Department of Public Instruction agree with the information included in the electronic spreadsheets. This could be accomplished by including, in the electronic spreadsheet, monthly totals for each type of meal claimed and comparing each total to the totals claimed to DPI.

In addition, we note that SDC generally provided us with all weekly reports submitted by the various child care centers. However, SDC could not provide any reports for October 1997. SDC explained that these reports have been misplaced or inadvertently discarded. Our review found that the amounts requested for meal reimbursements for October 1997 were not unreasonable. Therefore, because SDC's current record-keeping procedures appear reasonable, we do not make recommendations related to the October 1997 records.

ACCOUNTING SYSTEM ISSUES

SDC uses a general ledger accounting system to account for its operations. SDC separately accounts for CACFP revenues and expenses, as well as those for the Summer Food Service Program and other food-related activities; however, it combines all food operations when accounting for balance sheet accounts, such as cash, inventory, and accounts payable.

Federal rules do not specify the type of accounting system to be used to account for CACFP operations. Section 7 CFR 226.15(e)(12) requires the sponsors to “maintain documentation of nonprofit food service to ensure that all Program reimbursement funds are used: (i) solely for the conduct of the food service operation; or (ii) to improve such food service operations...” In addition, DPI policy requires that SDC limit any unexpended surplus related to CACFP to three months of average expenditures from the prior fiscal year.

As the state administering agency, DPI is required by federal rules to monitor to ensure that SDC uses CACFP funds only for program purposes and that interest earnings in excess of \$100 are credited to program accounts. However, the USDA Office of Inspector General’s audit determined that SDC had accumulated a \$1.2 million excess surplus balance in the CACFP accounts, in part because DPI did not adequately monitor SDC’s surplus balance. In addition, the Office of Inspector General found that SDC used some of the balance to fund other SDC activities, that SDC did not credit interest earnings applicable to the surplus funds to CACFP accounts, and that SDC should ensure all CACFP reimbursements and interest earnings are credited to the program.

CACFP Surplus Balance

Prior to 1999, SDC maintained one bank account for general operations and two other bank accounts for payroll and certain employee benefits. None of these bank accounts earned interest. In addition, SDC invested temporary excess cash balances in the Local Government Investment Pool, which is administered by the State of Wisconsin.

Federal rules require that all funds received for CACFP be used exclusively for CACFP purposes. At the time of the Office of Inspector General’s audit, SDC developed a surplus cash balance in CACFP for a variety of reasons. For example:

- SDC receives CACFP funding using the “meals times rate” method, whereby SDC receives a certain per meal reimbursement for meals served to eligible children, regardless of actual costs. As noted, during our audit period SDC received an average per meal reimbursement of about \$1.77. Since SDC’s revenues were greater than the average ongoing cost of CACFP during our audit period, SDC generated surplus CACFP funds.
- Until October 1998, SDC generally received \$375,000 of CACFP advances from DPI, which were added to the surplus balances in anticipation of expected program costs.
- SDC requested and received DPI’s permission to use \$385,000 of surplus balances to purchase food service equipment. However, SDC did not use these funds as planned, and they remained in the surplus balance.

The Office of Inspector General determined that, based on SDC’s accounting records, the CACFP surplus balance as of March 31, 1998 was \$1,178,962. However, the March 31, 1998 balances in SDC’s bank accounts and in the Local Government Investment Pool totaled \$958,417. Because available cash balances were less than the CACFP surplus, the Office of Inspector General determined that SDC had used \$220,545 of CACFP funds to pay for non-CACFP activities, which is a violation of federal rules. In response, USDA directed DPI to instruct SDC to reimburse \$220,545 or another amount, if appropriate, to CACFP.

We calculated the January 31, 1999 surplus CACFP balance to be \$413,156. Although it was not required to do so by federal or state CACFP rules, SDC established a separate, interest-bearing bank account for its food operations in January 1999 and deposited \$547,733 into that account. Therefore, we conclude that SDC addressed the Inspector General’s concerns in this area and that the CACFP surplus balance is supported by available bank deposits.

We note that our calculated January 31, 1999 surplus balance of \$413,156 is \$765,806 less than the March 31, 1998 surplus balance calculated by the Office of Inspector General. While SDC continued to receive per meal reimbursements in excess of per meal costs, the calculated balance declined because:

- SDC no longer receives about \$375,000 of advances from DPI;
- our surplus balance calculations considered monthly expenditures and changes in food inventories and other balance sheet accounts to more precisely arrive at surplus cash balances related to CACFP; and

- SDC charged \$301,626 in additional expenditures to CACFP during the federal fiscal year that ended September 30, 1998, for staff wages, professional services, equipment purchases, and other costs applicable to CACFP.

It was not within the scope of our limited review to test the allowability of the additional expenditures charged to CACFP. However, we believe it is important that SDC justify all expenditures charged to CACFP accounts. Therefore, we recommend the Social Development Commission report to the Department of Public Instruction on the nature of the additional expenditures charged to Child and Adult Care Food Program accounts and how they benefited the program.

Interest Earnings

The Office of Inspector General determined that although SDC had accumulated a surplus balance in its CACFP accounts, it did not credit interest earnings to the CACFP program as required by federal cash management rules and DPI guidelines. To calculate the interest earnings that should have been credited to CACFP accounts but were not, the Office of Inspector General assumed that any CACFP surplus balance was first accounted for in one of SDC's bank accounts, and that only the remaining balance, if any, was invested in the Local Government Investment Pool. The Office of Inspector General calculated that the CACFP surplus balance generated \$44,206 in pool interest during the 42-month period from October 1994 through March 1998.

In response to the Office of Inspector General's report, on January 8, 1999, DPI instructed SDC to transfer \$44,206, representing interest earnings applicable to the CACFP surplus, to CACFP accounts. We reviewed December 1998 accounting records and found that SDC did, in fact, transfer \$44,206 to CACFP accounts. In addition, as noted, SDC established and deposited funds representing the CACFP surplus to a separate, interest-bearing bank account on January 12, 1999, and it currently credits any interest earnings applicable to this bank account to CACFP accounts.

However, the Office of Inspector General's interest earnings calculations ended on March 31, 1998, while the CACFP surplus balances generated additional interest earnings from April 1, 1998 through January 12, 1999, when SDC established the separate CACFP bank account. Using the Office of Inspector General's methodology, we calculated that the CACFP surplus balances earned \$2,276 in interest between April 1, 1998 and January 12, 1999. Therefore, we recommend SDC transfer \$2,276 to the Child and Adult Care Food Program accounts, representing interest earned on surplus program balances from April 1, 1998 to January 12, 1999.

Accounting System

As noted, SDC maintains a general ledger accounting system to account for its operations. The Office of Inspector General recommended that SDC implement an accounting system to ensure CACFP funds are used for CACFP purposes and that related interest earnings are properly credited to the program.

Our review found SDC's accounting system is adequate to account for revenues and expenditures related to its programs and that SDC is able to periodically calculate the surplus balance related to CACFP. For example, SDC calculates the balance attributable to CACFP for inclusion in the federally required Schedule of Expenditures of Financial Assistance.

In addition, as noted, SDC now maintains a separate interest-earning bank account to document that surplus CACFP funds are not used for non-CACFP purposes. We determined that the monthly CACFP surplus balance for January 1999 through September 1999 was less than the balance in the bank account for all months except February 1999. We calculated a February 1999 CACFP surplus balance of \$587,699, but SDC had only \$550,122 on deposit in the separate bank account. However, SDC had sufficient funds on deposit in its other bank accounts to document that CACFP funds were not used for non-CACFP purposes. In addition, we verified that SDC credited \$12,260 of interest earned on the segregated bank account from January 1999 through September 1999 to CACFP accounts. Therefore, we believe SDC has adequately addressed the Office of Inspector General's concerns in this area.

Time Reporting

In addition to CACFP, SDC administers the federally funded Summer Food Service Program, which is intended to provide nutritious meals to eligible children after the school year ends. Because both programs involve food service activities, it is possible for SDC staff to devote work effort to both CACFP and the Summer Food Service Program. OMB Circular A-87 requires SDC to follow specific requirements for supporting salary and fringe benefit costs charged directly to CACFP and other federal programs. Employees working exclusively on one federal program may semi-annually certify that they worked solely on the federal program. However, employees working on multiple activities are required to complete personnel activity reports that account for the total work effort of the employees, are completed after the fact, and are signed by the employees.

DPI requested the Legislative Audit Bureau to review SDC's policies and procedures to ensure that work effort assigned to CACFP and the Summer Food Service Program, which was not addressed in the Office of Inspector General's report, is in compliance with federal rules. To ensure all payroll expenditures charged to federal programs are allowable, SDC requires an employee's supervisor to complete the Personnel Action Form to notify the payroll department of any new hires, changes in rates of pay, transfers from one program to another, terminations, or resignations. These Personnel

Action Forms are to be approved by the department head or supervisor, a human resources representative, and the grant accountant before being processed. In addition to regular time cards, SDC requires its employees to complete, and supervisors to approve, labor allocation sheets if staff work on more than one grant program. These labor allocation sheets are provided to the accounting department to adjust work effort charged to grant programs.

We selected August 1999 and August 1998 to test employe work effort charged to CACFP and the Summer Food Service Program. We reviewed SDC's Personnel Action Forms, labor allocation sheets, and employe time cards and found that the times certified by the employes and their supervisors were reflected on payroll distribution reports, were properly entered into SDC's accounting system, and were accurately included in SDC's monthly accounting records. We believe that SDC has reasonable time reporting policies and procedures and make no recommendations for improvement.

APPENDIX I

Social Development Commission–Sponsored Centers

March 1997 through March 1999

Centers Affiliated with SDC as of October 31, 1999:

Center Number	Center Name	Center Type
1997	SDC Head Start - St. Rita	Head Start
1998	SDC Head Start - South	Head Start
2003	Esperanza Del Futuro	Day Care
2004	Golden Rule Day Care Center	Day Care
2010	Mt. Zion Child Development Center	Day Care
2013	Our Father's Early Child Development Center	Day Care
2022	Career Youth Development	After School
2024	Helwig After School Program	After School
2028	YMCA Parklawn Branch School	After School
2029	Salvation Army - Citadel	After School
2030	Salvation Army - West	After School
2031	Silver Spring Neighborhood Center	After School
2032	United Community Center	After School
2033	YWCA - Vel Phillips Center	After School
2034	VA - YMCA Child Care Center	Day Care
2036	Project Focal Point, Inc.	After School
2037	Milwaukee Christian Child Development Center	Day Care
2038	Mt. Olive Day Care	Day Care
2046	SDC Head Start - Johnson Square	Head Start
2048	Oklahoma Ave. Lutheran Day Care	Day Care
2052	Learning Enterprise II	Day Care
2054	Capitol Drive Lutheran Church - Tender Care I	Day Care
2055	Capitol Drive Lutheran Church - Tender Care II	Day Care
2057	SDC Head Start - Cudahy	Head Start
2059	YMCA Child Care - Del Rio	Day Care
2060	SDC Head Start - West Allis	Head Start
2062	SDC Head Start - Mitchell Street	Head Start
2063	Helwig Family Center	Day Care/Head Start
2065	Milwaukee Christian Center - Kid's Place	After School
2333	SDC Head Start - North	Head Start
2334	YW Villages Learning Center	After School
2335	The Learning Years, Inc.	Day Care
2348	Love Community Learning Center	Day Care
2349	Wee People Dream World Day Care Center	Day Care
2448	Roberson's Kiddie Lane Child Care Center	Day Care
2640	SS Peter & Paul Day Care Center	Day Care
2669	YMCA Child Care United Methodist Church	Day Care
2670	YMCA Garden Plaza Child Care	Day Care
2715	Enlightened Care, Inc.	Day Care
2717	SDC Head Start - Green Tree	Head Start
2764	YMCA Parklawn Child Care	Day Care
2832	Circle of Friends Child Care & Preschool Center	Day Care
6840	Emmaus Lutheran Child Care	Day Care

Centers No Longer Sponsored by SDC:

<u>Center Number</u>	<u>Center Name</u>	<u>Center Type</u>	<u>Month Center Was Last Sponsored by SDC</u>
1992	Ark of Safety Day Care	Day Care	Sep-99
1999	SDC Head Start - West	Head Start	Jun-99
2002	Children's Choice Child Care Center	Day Care	Jan-98
2005	ABC Day Care, Inc.	Day Care	Sep-99
2006	E.M. Jones Day Care, Inc. I	Day Care	Sep-99
2007	Shirley's Child Development Center I	Day Care	Feb-99
2008	Lullaby Day Care	Day Care	Sep-99
2009	Mason Temple Child Development Center	Day Care	Feb-99
2011	Next Door Foundation	Day Care	Jun-97
2017	North Central YMCA	After School	Jun-98
2018	Hillside Boys & Girls Club	After School	Sep-99
2019	Lavarnway Boys & Girls Club	After School	Sep-99
2020	Mary Ryan Boys & Girls Club	After School	Sep-99
2021	Seher Boys & Girls Club	After School	Sep-99
2025	Pieper Boys & Girls Club	After School	Sep-99
2026	Lapham Park Community Center	After School	Sep-98
2027	Northcott Neighborhood House	After School	Sep-99
2035	Sallie's Loveland	Day Care	Oct-99
2041	African American Family #2	Day Care	Sep-99
2042	E.M. Jones Day Care, Inc. II	Day Care	Sep-99
2043	King Drive Community Day Care Center	Day Care	Sep-99
2047	Betty's Community Day Care, Inc.	Day Care	Oct-99
2049	Sherman Park Preschool	Day Care	Oct-99
2050	Heavenly Care	Day Care	Jun-99
2051	Tiny Tunes Day Care	Day Care	Sep-99
2053	Muppet Babies Child Care	Day Care	Jan-98
2056	He Cares Christian Day Care	Day Care	Sep-99
2061	Guardian Angel Learning Center	Day Care	Sep-99
2066	Shirley's Child Development Center II	Day Care	Feb-99
2350	Family Child Development Center	Day Care	Sep-99
2426	New Beginnings Child Care Center	Day Care	Mar-99
2501	Allen Chapel Child Care	Day Care	Sep-99
2531	SDC Head Start - South 39th	Head Start	May-98
2626	Alphabet St. Preschool	Day Care	Sep-99
2627	Multi-Cultural Community Center & Day Care	Day Care	Sep-99
2628	Children's Rainbow Learning Center	Day Care	Sep-99
2664	Head Start - Del Rio	Head Start	Jun-98
2697	Christian Faith Fellowship Preschool	Day Care	Feb-99
2765	Sallie's Loveland Latchkey	After School	Oct-99
2851	V.E. Carter	Day Care	Jul-99

APPENDIX II

Month-By-Month Testing Results of Meals Claimed by SDC March 1997 Through March 1999*

Center Number	Center Name	Total Meals Claimed	Number of Undocumented and Unsupported Meals														
			Mar 1997	Apr 1997	May 1997	Jun 1997	July 1997	Aug 1997	Sept 1997	Oct 1997	Nov 1997	Dec 1997	Jan 1998	Feb 1998	Mar 1998	Apr 1998	May 1998
1992	Ark of Safety	37,031	1484	415	266	269	400	116	604	530	365	390	300	365	224	234	49
1997	Head Start - St. Rita	15,782		1		NC	NC			2						0	
1998	Head Start - South	9,858			4	NC	NC	NC			0						6
1999	Head Start - West	52,074	1336	1637	3452	NC	NC	NC	704	913	484	380	401	466	154	77	98
2002	Children's Choice	13,313	29	43	0	223	378	340	245	0			58	NC	NC	NC	NC
2003	Esperanza Del Futuro	17,243	55	12	72	55	205	211	198	268	228	327	465	398	348	298	113
2004	Golden Rule	19,529	1149	1303	1337	1338	1410	1336	1331	1474	1215	1385	1305	1253			
2005	ABC**	18,180	438	627	695	807	829	803	811	877	721	740	787	765	844	839	756
2006	E.M. Jones I	9,755								0							0
2007	Shirley's I	7,270	434	486	436	436	450	445	442	434	266	265	217	264	268	217	215
2008	Lullaby	18,458	857	915	936	1044	1183	1115	818	888	692	671	744	770	830	673	667
2009	Mason Temple	19,822	870	933	986	992	888	1030	929	840	692	826					
2010	Mt. Zion	14,532				0							40				
2011	Next Door Foundation	1,056	0		0	0	NC	NC	NC	NC	NC	NC	NC	NC	NC	NC	NC
2013	Our Father's	19,388					74						0				
2017	North Central YMCA	3,807	360	360	420	178	NC	NC	382	374	223	217	283	256	278	179	214
2018	Hillside	20,225	1506	1246	1095	165	NC	NC	700	1320	1100	1200	1150	1266	1373	1248	971
2019	Lavarnway	41,203	3837	4536	3779	NC	NC	NC	1100	2762	3077	3396	3229	3371	3054	1527	1054
2020	Mary Ryan	20,395	1317	1367	808	NC	NC	NC	625	1286	1065	1258	1116	1095	1246	1369	942
2021	Seher	28,285	2125	2181	1534	211	NC	NC	871	1966	1621	1709	1669	1703	1599	1161	821
2022	CYD	16,808	1023	1092	1050	249	NC	NC	1041	1108	883	929	937	972	1080	1058	889
2024	Helwig After School	7,549					NC	NC	0				459	446	540	409	328
2025	Pieper	47,017	3106	3155	1210	125	NC	NC	831	874	1326	1367	2360	475	131	573	2340
2026	Lapham Park	10,322	730	765	735	254	NC	NC	716	981	775	822	864	866	884	563	526
2027	Northcott	6,462	387	433	397	NC	NC	NC	NC	487	469	513	515	544	555	371	80
2028	YMCA Parklawn	22,752	1071	1122	1071	531	NC	NC	1365	1483	1147	958	1278	1257	1283	1150	1062
2029	Salvation Army - Citadel	3,580			0	NC	NC	NC			146						8
2030	Salvation Army - West	6,047	501	573	332	71	NC	NC	268	336	235	131	250	358	430	396	261
2031	Silver Spring	22,645	1544	1512	1507	678	NC	NC	443	1540	1374	1323	1221	1526	1561	1174	934
2032	United Community	25,767	910	1050	950	NC	NC	NC	400	1175	1110	640	810	1971	2080	1640	1627
2033	YWCA - Vel Phillips	6,860	444	611	497	189	NC	NC	386	496	368	299	306	281	332	246	266
2034	VA - YMCA	24,790	1043	1062	1001	1002	1053	995	1015	1129	910	953	306	85	69	58	748
2035	Sallie's Loveland	22,602	490	519	458	662	679	306	476	422	488	510	406	482	28	529	453
2036	Project Focal Point	1,100	159	125	NC	NC	NC	NC	NC	NC	NC	30	98	87	100	106	85
2037	Milw. Christian	18,859	157	168	185	340	150	14	15	53	17	7	6	0	71	114	66
2038	Mt. Olive	14,266	0										9				
2041	African Amer. Family #2	20,956	931	1002	987	987	1034	897	829	961	723	778	780	754	816	800	741
2042	E.M. Jones II	12,520	461	559	505	548	556	554	548	575	470	572	523	517	579	556	497
2043	King Drive	19,487	18	18	311	64	1100	1045	900	586	499	183	148	15	62	32	0
2046	Head Start - Johnson Sq.	11,267				NC	NC	NC	2					0			
2047	Betty's	16,297	487	405	478	510	456	628	387	293	411	611	494	302	416	313	341
2048	Oklahoma Lutheran	12,989				NC	NC	NC		8					10		
2049	Sherman Park	21,746					NC	NC			0					0	
2050	Heavenly Care	23,944	879	979	945	945	1100	1030	915	941	986	1082	1142	1087	1191	1218	1069
2051	Tiny Tunes	8,423	295	371	428									0			
2052	Learning Enterprise II	17,404	23	98	126	312	586	345	12	20	16	5	44	0	0	0	32
2053	Muppet Babies	2,845	480	444	524	270	NC	NC	315	277	169	207	159	NC	NC	NC	NC
2054	Tender Care I	34,258				46						73					
2055	Tender Care II	713	NC	NC	NC	NC	NC	NC		5					6		
2056	He Cares Christian	13,723	725	730	735	705	770	735	735	643	359	365	504	508	609	658	666
2057	Head Start - Cudahy	13,904				NC	NC	NC	1				0				
2059	YMCA - Del Rio	33,046	33	37	10	152	180	201	153		1190	1345	1309	1251	1377	1450	1335
2060	Head Start - West Allis	16,251				NC	NC	NC				1				0	
2061	Guardian Angel	32,960	1635	1345	1545	1604	1704	1337	1664	1716	1075	930	1250	1259	1394	1039	1174
2062	Head Start - Mitchell St.	39,717		6											27		
2063	Helwig Family Center	63,099	180	123		629	NC	324	934	1623	808	517	611	269	0	350	82
2065	Milw. Christian - KP	13,542	794	837	833	397	NC	NC	550	995	765	847	854	900	945	717	601
2066	Shirley's II	37,200	1763	1829	1728	1946	1846	1698	1705	1907	1478	1670	1608	1643	1778	1765	1580
2333	Head Start - North	52,418	1640	1468	1681	NC	NC	NC	517	895	702	733	632	546	0	283	53
2334	YW Villages Learning	5,716	180	220	254	100	NC	NC	306	372	261	245	334	360	378	288	365
2335	Learning Years	34,406	2	14	87	18	126	176	20	62	78	245				13	
2348	Love Community	11,098	458	463	488	495	518	525	497	520	427	460	460	498	498	501	470
2349	Wee People	4,685	0												2		
2350	Family Child**	6,242	333	252	294	294	182	280	267	280	213	208	223	175	181	128	138

Undocumented and Unsupported First Meals, continued											Total Undocumented and Unsupported First Meals	Meals Claimed During Months Documentation Was Not Available	Unsupported Meals	Month Center Was Last Sponsored by SDC	Appendix in Which Center Is Included	Center Number
Jun 1998	July 1998	Aug 1998	Sept 1998	Oct 1998	Nov 1998	Dec 1998	Jan 1999	Feb 1999	Mar 1999							
75	12	285	0	1	0	10	1				6,395	1,484	4,911	Sep-99	5	1992
NC	NC	NC						0			3	0	3		3	1997
NC	NC	NC							0		10	0	10		3	1998
NC	NC	NC	144	89	86	15	51	49	37		10,573	3,452	7,121	Jun-99	5	1999
NC	NC	NC	NC	NC	NC	NC	NC	NC	NC		1,316	0	1,316	Jan-98	5	2002
126	0	5	58	17		1		0			3,460	0	3,460		5	2003
	0	61							48		15,945	15,836	109		7	2004
841	845	799	814	601	536	652	566	534	653		18,180	18,180	0	Sep-99	5	2005
			2					32			34	0	34	Sep-99	3	2006
18	247	231	231	239	208	224	205		NC		6,878	6,860	18	Feb-99	7	2007
729	758	722	587	549	435	466	441	460	0		17,950	17,950	0	Sep-99	7	2008
						0		0	NC		8,986	8,986	0	Feb-99	4	2009
31									0		71	0	71		3	2010
NC	NC	NC	NC	NC	NC	NC	NC	NC	NC		0	0	0	Jun-97	3	2011
			0				0				74	0	74		3	2013
83	NC	NC	NC	NC	NC	NC	NC	NC	NC		3,807	3,807	0	Jun-98	6	2017
427	NC	NC	521	1160	927	397	649	793	1011		20,225	20,225	0	Sep-99	6	2018
272	NC	NC	720	1275	720	1225	569	820	18		40,341	40,323	18	Sep-99	7	2019
550	NC	NC	499	1181	964	1039	831	882	955		20,395	20,395	0	Sep-99	6	2020
304	NC	NC	676	1294	1195	1446	1189	1275	1735		28,285	28,285	0	Sep-99	6	2021
50	NC	NC	602	858	699	745	414	573	178		16,430	16,252	178		7	2022
	NC	NC	108	294	294	387	27				3,292	3,265	27		4	2024
820	NC	NC	1600	3000	2318	2469	1166	784	370		30,400	18,138	12,262	Sep-99	5	2025
247	NC	NC	594	NC	NC	NC	NC	NC	NC		10,322	10,322	0	Sep-98	6	2026
NC	NC	NC	NC	375	259	203	271	282	321		6,462	6,462	0	Sep-99	6	2027
496	NC	NC	1001	1105	922	1152	836	1049	1413		22,752	22,752	0		6	2028
NC	NC	NC						7			161	0	161		3	2029
69	NC	NC	259	16					19		4,505	4,470	35		7	2030
439	NC	NC	435		244		854				18,309	18,065	244		7	2031
NC	NC	NC	1236	1953	1855	770		5			20,177	20,177	5		7	2032
109	NC	NC	278	332	313	259	270	298	280		6,860	6,860	0		6	2033
69	198	228	87	116	33	74	16	3	45		12,298	1,387	10,911		5	2034
568	326	727	0	477	446	405	563	229	558		11,207	0	11,207	Oct-99	5	2035
NC	NC	NC	NC	NC	NC	NC	NC	NC	139	171	1,100	1,100	0		6	2036
301	416	292	0	0			0	30			2,402	0	2,402		5	2037
		4						0			13	0	13		3	2038
916	1041	1043	220	890	591	588			12		18,321	18,089	232	Sep-99	5	2041
531	537	457	526	543	339	435	28				11,416	11,388	28	Sep-99	7	2042
41	68	103	72		11			32			5,308	4,130	1,178	Sep-99	5	2043
NC	NC	NC				1			0		3	0	3		3	2046
326	200	202	72	303	134	0	0	0	0		7,769	0	7,769	Oct-99	5	2047
NC	NC	NC	7					0			25	0	25		3	2048
0	NC	NC							5		5	0	5	Oct-99	3	2049
1196	1184	1107	735	823	626	700	680	633	751		23,944	23,944	0	Jun-99	6	2050
	NC	2						0			1,096	1,094	2	Sep-99	4	2051
0	97	0	15			0		0			1,731	0	1,731		5	2052
NC	NC	NC	NC	NC	NC	NC	NC	NC	NC		2,845	2,845	0	Jan-98	6	2053
			10			39					168	0	168		3	2054
	NC	NC	NC	NC	0			0			11	0	11		3	2055
626	539	543	471	435	473	299			0		12,833	12,833	0	Sep-99	7	2056
NC	NC	NC		0			0				1	0	1		3	2057
1588	1725	1524	1590	1671	39	105		0			18,265	17,355	910		7	2059
NC	NC	NC	12						12		25	0	25		3	2060
1277	1408	1120	1273	0			0				25,749	25,749	0	Sep-99	7	2061
NC	NC	NC			1			0			34	0	34		3	2062
83	1	52	71	38		2			0		6,697	324	6,373		5	2063
260	NC	NC	323	511	562	579	6				12,276	12,270	6		7	2065
231	1785	1659	1016	1156	957	1026	968	0	NC		34,742	34,511	231	Feb-99	5	2066
1172	979	575	0	162	52	8	62	32	35		12,227	1,747	10,480		5	2333
174	NC	NC	1				12				3,850	3,837	13		7	2334
		5						0			846	0	846		5	2335
523	403			0					158		8,362	8,204	158		7	2348
					3		0				5	0	5		3	2349
251	455	440	474	380	237	142	175	152	88		6,242	6,242	0	Sep-99	7	2350

Undocumented and Unsupported First Meals, continued										Total Undocumented and Unsupported First Meals	Meals Claimed During Months Documentation Was Not Available	Unsupported Meals	Month Center Was Last Sponsored by SDC	Appendix in Which Center Is Included	Center Number
Jun 1998	July 1998	Aug 1998	Sept 1998	Oct 1998	Nov 1998	Dec 1998	Jan 1999	Feb 1999	Mar 1999						
425	494	467	480	577	538	684	642	699	764	11,686	11,686	0	Mar-99	6	2426
28							82			166	0	166		3	2448
	146							0		194	0	194	Sep-99	3	2501
NC	NC	NC	NC	NC	NC	NC	NC	NC	NC	60	0	60	May-98	3	2531
1275	1321	1167	821	97	899	990			0	19,680	19,161	519	Sep-99	5	2626
		11					0			561	0	561	Sep-99	5	2627
	0							0		4,547	4,547	0	Sep-99	4	2628
		42							0	44	0	44		3	2640
	NC	NC	NC	NC	NC	NC	NC	NC	NC	0	0	0	Jun-98	3	2664
862	889	830	826	42	607	704	15	98	0	7,934	7,392	542		5	2669
193	264	217	96	183	85	133	0	0	9	3,370	505	2,865		5	2670
NC	21		54		5		26		NC	106	0	106	Feb-99	3	2697
NC	NC	0		0		0			0	0	0	0		3	2715
NC	NC	NC		9	0	5		7		21	0	21		3	2717
NC	NC	NC	NC	2	4				0	6	0	6		3	2764
NC	NC	NC	NC	NC	NC	23	0	0	0	23	0	23	Oct-99	5	2765
NC	NC	NC	NC	NC	NC	48		0		48	48	0		7	2832
NC	NC	NC	NC	NC	NC	NC	NC	NC	39	39	0	39	Jul-99	3	2851
1063	1075	1007	126	536	171	552	286	241	108	13,988	11,968	2,020		5	6840
19,665	17,434	15,927	19,733	23,300	18,788	18,963	11,970	10,108	9,793	646,892	564,426	82,466			
										\$ 1,143,640	\$ 997,849	\$ 145,792			

NC =SDC did not claim reimbursement for center that month.
 =Center maintained no documentation for the shaded month, or would not deliver records to SDC for review.
 * Dollar amount of meals questioned is equal to \$1.7679 times the number of meals questioned.
****Bolded amounts represent months that the center would not deliver records to SDC for our review.**

APPENDIX III

Centers with Complete Records

March 1997 through March 1999

Center Number	Center Name	Meals Claimed During Months Documentation Was Available	Number of Meals Tested	Meals Tested and Questioned Because They Were Not Adequately Supported	Percentage of Tested Meals Questioned
1997	Head Start - St. Rita	15,782	3,330	3	0.09 %
1998	Head Start - South	9,858	2,320	10	0.43
2006	E.M. Jones I	9,755	1,569	34	2.17
2010	Mt. Zion	14,532	2,688	71	2.64
2011	Next Door Foundation	1,056	763	0	0.00
2013	Our Father's	19,388	2,991	74	2.47
2029	Salvation Army - Citadel	3,580	747	161	21.55
2038	Mt. Olive	14,266	2,095	13	0.62
2046	Head Start - Johnson Sq.	11,267	2,283	3	0.13
2048	Oklahoma Lutheran	12,989	2,661	25	0.94
2049	Sherman Park	21,746	3,593	5	0.14
2054	Tender Care I	34,258	5,209	168	3.23
2055	Tender Care II	713	163	11	6.75
2057	Head Start - Cudahy	13,904	2,855	1	0.04
2060	Head Start - West Allis	16,251	3,820	25	0.65
2062	Head Start - Mitchell St.	39,717	8,053	34	0.42
2349	Wee People	4,685	551	5	0.91
2448	Roberson's Kiddie Lane	37,596	6,173	166	2.69
2501	Allen Chapel	14,881	2,460	194	7.89
2531	Head Start - South 39th	5,176	1,528	60	3.93
2640	SS Peter & Paul	14,487	3,360	44	1.31
2664	Head Start - Del Rio	1,734	903	0	0.00
2697	Christian Faith Fellowship	2,767	1,440	106	7.36
2715	Enlightened Care, Inc.	1,536	754	0	0.00
2717	Head Start - Green Tree	3,072	1,675	21	1.25
2764	YMCA Parklawn	2,295	1,218	6	0.49
2851	V.E. Carter	495	495	39	7.88
Totals		327,786	65,697	1,279	1.95 %
Dollar Value*				\$2,261	

* Based on an average meal reimbursement of \$1.7679 per meal during our audit period.

APPENDIX IV

Centers with Nearly Complete Records

March 1997 through March 1999

<u>Center Number</u>	<u>Center Name</u>	<u>Total Meals Claimed</u>	<u>Meals Questioned for Months Documentation Was Not Available</u>	<u>Meals Claimed During Months Documentation Was Available</u>	<u>Number of Meals Tested</u>	<u>Meals Tested and Questioned Because They Were Not Adequately Supported</u>	<u>Percentage of Tested Meals Questioned</u>
2009	Mason Temple	19,822	8,986	10,836	661	0	0.00 %
2024	Helwig After School	7,549	3,265	4,284	668	27	4.04
2051	Tiny Tunes	8,423	1,094	7,329	720	2	0.28
2628	Children's Rainbow	16,598	4,547	12,051	1,586	0	0.00
	Total	52,392	17,892	34,500	3,635	29	0.80 %
	Dollar Value*		\$31,631			\$51	

* Based on an average meal reimbursement of \$1.7679 per meal during our audit period.

APPENDIX V

Centers with Problematic Records

March 1997 through March 1999

<u>Center Number</u>	<u>Center Name</u>	<u>Total Meals Claimed</u>	<u>Meals Questioned for Months Documentation Was Not Available</u>	<u>Meals Claimed During Months Documentation Was Available</u>	<u>Number of Meals Tested</u>	<u>Meals Tested and Questioned Because They Were Not Adequately Supported</u>	<u>Percentage of Tested Meals Questioned</u>
Centers Visited:							
1992	Ark of Safety	37,031	1,484	35,547	32,867	4,911	14.94 %
1999	Head Start - West	52,074	3,452	48,622	48,622	7,121	14.65
2035	Sallie's Loveland	22,602	0	22,602	22,602	11,207	49.58
2047	Betty's	16,297	0	16,297	16,297	7,769	47.67
2063	Helwig Family Center**	63,099	324	62,775	51,301	6373	12.42
2333	Head Start – North	52,418	1,747	50,671	50,671	10,480	20.68
2670	YMCA Garden Plaza	14,123	505	13,618	13,618	2,865	21.04
2765	Sallie's Latchkey***	2,197	0	2,197	2,197	23	1.05
6840	Emmaus Lutheran	19,968	11,968	8,000	8,000	2,020	25.25
	Subtotal	279,809	19,480	260,329	246,175	52,769	21.44
Centers from Which Additional Records Were Requested:							
2002	Children's Choice	13,313	0	13,313	11,489	1,316	11.45
2003	Esperanza Del Futuro	17,243	0	17,243	16,062	3,460	21.54
2025	Pieper	47,017	18,138	28,879	28,879	12262	42.46
2034	VA – YMCA	24,790	10,911	13,879	13,879	1,387	9.99
2037	Milw. Christian	18,859	0	18,859	17,564	2,402	13.68
2041	African Amer. Family #2	20,956	18,089	2,867	1,585	232	14.64
2043	King Drive	19,487	4,130	15,357	13,009	1,178	9.06
2052	Learning Enterprise II	17,404	0	17,404	14,671	1,731	11.80
2066	Shirley's II	37,200	34,511	2,689	2,689	231	8.59
2335	Learning Years	34,406	0	34,406	20,505	846	4.13
2627	Multi-Cultural Community	8,732	0	8,732	3,383	561	16.58
2669	YMCA-UMC Child Care	11,272	7,392	3,880	3,880	542	13.97
	Subtotal	270,679	93,171	177,508	147,595	26,148	17.72

<u>Center Number</u>	<u>Center Name</u>	<u>Total Meals Claimed</u>	<u>Meals Questioned for Months Documentation Was Not Available</u>	<u>Meals Claimed During Months Documentation Was Available</u>	<u>Number of Meals Tested</u>	<u>Meals Tested and Questioned Because They Were Not Adequately Supported</u>	<u>Percentage of Tested Meals Questioned</u>
Centers That Would Not Deliver Records to SDC:							
2005	ABC	18,180	18,180	0	0	0	n/a
2626	Alphabet St.	24,417	19,161	5,256	3,619	519	14.34
	Subtotal	<u>42,597</u>	<u>37,341</u>	<u>5,256</u>	<u>3,619</u>	<u>519</u>	14.34
	Total Dollar Value*	593,085	149,992	443,093	397,389	79,436	19.99 %
			\$265,171			\$140,435	

* Based on an average meal reimbursement of \$1.7679 per meal during our audit period.

** Center #2063 was initially assessed as problematic. However, additional records were found during on-site visit to reasonably support meals claimed for reimbursement.

*** Center #2765 was initially assessed as problematic because it was run by the same supervisor as center #2035, which had problematic records.

APPENDIX VI

Centers with No Records Available

March 1997 through March 1999

<u>Center Number</u>	<u>Center Name</u>	<u>Total Number of Meals Claimed and Questioned</u>
2017	North Central YMCA	3,807
2018	Hillside	20,225
2020	Mary Ryan	20,395
2021	Seher	28,285
2026	Lapham Park	10,322
2027	Northcott	6,462
2028	YMCA Parklawn	22,752
2033	YWCA - Vel Phillips	6,860
2036	Project Focal Point	1,100
2050	Heavenly Care	23,944
2053	Muppet Babies	2,845
2426	New Beginnings	<u>11,686</u>
	Total	158,683
	Dollar Value*	\$280,536

* Based on an average meal reimbursement of \$1.7679 per meal during our audit period.

APPENDIX VII

Centers with Limited Records Available***

March 1997 through March 1999

Center Number	Center Name	Total Meals Claimed	Meals Questioned for Months Documentation Was Not Available	Meals Claimed During Months Documentation Was Available	Number of Meals Tested	Meals Tested and Questioned Because They Were Not Adequately Supported
2004	Golden Rule	29,529	15,836	13,693	3,634	109
2007	Shirley's I	7,270	6,860	410	227	18
2008	Lullaby	18,458	17,950	508	508	0
2019	Lavarnway	41,203	40,323	880	880	18
2022	CYD	16,808	16,252	556	556	178
2030	Salvation Army – West	6,047	4,470	1,577	609	35
2031	Silver Spring	22,645	18,065	4,580	927	244
2032	United Community	25,767	20,177	5,590	1,784	5
2042	E.M. Jones II	12,520	11,388	1,132	382	28
2056	He Cares Christian	13,723	12,833	890	299	0
2059	YMCA - Del Rio	33,046	17,355	15,691	12,032	910
2061	Guardian Angel	32,960	25,749	7,211	2,510	0
2065	Milw. Christian – KP	13,542	12,270	1,272	440	6
2334	YW Villages Learning	5,716	3,837	1,879	480	13
2348	Love Community	11,098	8,204	2,894	1,063	158
2350	Family Child**	6,242	6,242	0	0	n/a
2832	Circle of Friends	955	48	907	259	0
	Totals	297,529	237,859	59,670	26,590	1722
	Dollar Value*		\$420,511			\$3,045

* Based on an average meal reimbursement of \$1.7679 per meal during our audit period.

** This center did not deliver to SDC any records we requested and, therefore, we did not test records.

However, SDC's internal monitoring reports indicate that records were available beginning January 1999.

*** Although some records were available at centers with limited records, additional audit effort was not warranted because these records were not extensive.

APPENDIX VIII

Summary of Meals Tested
March 1997 through March 1999

Center Categories	Total Meals Claimed	Meals Questioned for Months Documentation Was Not Available **	Meals Claimed During Months Documentation Was Available	Number of Meals Tested	Meals Tested and Questioned Because They Were Not Adequately Supported
Complete or Nearly Complete Records	380,178	17,892	362,286	69,332	1,308
Problematic Records	593,085	149,992	443,093	397,389	79,436
No or Limited Records	456,212	396,542	59,670	26,590	1,722
Totals	1,429,475	564,426	865,049	493,311	82,466
Dollar Value*	\$2,527,169	\$997,849			\$145,792
Percentages of Total	100.00%	39.48%	60.52%		

* Based on an average meal reimbursement of \$1.7679 per meal during our audit period.

** Includes 30,345 meals for which centers would not forward requested records to SDC.

APPENDIX IX

Summary of Second Servings
 March 1997 through March 1999

<u>Center Number</u>	<u>Center Name</u>	<u>Second Servings Claimed</u>	<u>Second Servings Questioned</u>
1992	Ark of Safety	1,281	688
2002	Children's Choice	1,294	1,109
2003	Esperanza Del Futuro	1,020	625
2004	Golden Rule	640	191
2005	ABC Day Care, Inc.	1,725	1,689
2006	E.M. Jones I	680	502
2007	Shirley's I	701	582
2008	Lullaby	618	216
2009	Mason Temple	1,444	1,165
2010	Mt. Zion	1,781	1,607
2011	Next Door Foundation	264	264
2013	Our Father's	578	152
2017	North Central YMCA	347	301
2018	Hillside	795	470
2019	Lavarway	472	0
2020	Mary Ryan	900	504
2021	Seher	1,126	817
2022	CYD	477	186
2024	Helwig After School	1,005	984
2025	Pieper	233	0
2026	Lapham Park	631	453
2027	Northcott	214	10
2028	YMCA Parklawn	660	223
2029	Salvation Army - Citadel	259	168
2030	Salvation Army - West	241	87
2031	Silver Spring	512	242
2032	United Community	399	0
2033	YWCA - Vel Phillips	1,088	1,088
2034	VA - YMCA	1,722	1,267
2035	Sallie's Loveland	273	0
2036	Project Focal Point	144	116
2037	Milw. Christian	2,190	2,004
2038	Mt. Olive	2,741	2,741
2041	African Amer. Family #2	886	607
2042	E.M. Jones II	483	145
2043	King Drive	629	308
2047	Betty's	677	264
2048	Oklahoma Lutheran	2,077	2,077
2049	Sherman Park	2,178	2,053
2050	Heavenly Care	400	0
2051	Tiny Tunes	1,566	1,531
2052	Learning Enterprise II	797	406
2053	Muppet Babies	27	0
2054	Tender Care I	3,528	3,309
2055	Tender Care II	86	62

Center Number	Center Name	Second Servings Claimed	Second Servings Questioned
2056	He Cares Christian	1,126	1,055
2057	Head Start - Cudahy**	156	156
2059	YMCA - Del Rio	1,839	1,176
2061	Guardian Angel	3,022	2,891
2063	Helwig Family Center	5,628	5,139
2065	Milw. Christian - KP	356	241
2066	Shirley's II	1,659	716
2334	YW Villages Learning	1,176	1,149
2335	Learning Years	2,688	2,199
2348	Love Community	681	556
2349	Wee People	832	758
2350	Family Child	621	593
2426	New Beginnings	812	710
2448	Roberson's Kiddie Lane	169	0
2501	Allen Chapel	859	509
2626	Alphabet St.	968	537
2627	Multi-Cultural Community	1,186	1,121
2628	Children's Rainbow	1,019	847
2640	SS Peter & Paul	1,341	1,315
2669	YMCA -UMC Child Care	430	369
2670	YMCA Garden Plaza	647	366
2697	Christian Faith Fellowship	403	387
2715	Enlightened Care	270	238
2764	YMCA Parklawn	229	226
2765	Sallie's Latchkey	3	0
2832	Circle of Friends	87	72
2851	V.E. Carter	15	0
6840	Emmaus Lutheran	<u>1,524</u>	<u>1,363</u>
	Totals	71,535	55,902
	Dollar Value*	\$126,467	\$98,829

* Based on an average meal reimbursement of \$1.7679 per meal during our audit period.

** SDC inadvertently claimed 156 second servings for this Head Start Center for October 1997.



April 11, 2000

Executive Office

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Janice Mueller
State Auditor
22 E. Mifflin Street, Suite 500
Madison, Wisconsin 53703

Dear Ms. Mueller:

We have received your limited-scope audit of the Social Development Commission's reimbursements received under the Child and Adult Care Food Program from March 1, 1997 through March 31, 1999.

SDC is highly committed to operating a food service program of the highest quality. Current SDC management has worked cooperatively with the Department of Public Instruction, Office of Inspector General and the Legislative Audit Bureau to resolve all audit concerns. Our continued focus is the improvement of the program and delivery of quality services to the needy.

While we appreciate the work performed by you and your staff on this audit, it is important to emphasize the following critical points:

- Your audit clearly states that the meals were served to the needy children, what is missing in some cases is adequate record keeping. SDC strongly asserts that the meals were served.
- SDC has identified an abundance of alternative records including computerized data and source documents that are available through the Milwaukee County CARES System. A review of this collateral information will dramatically reduce the number of undocumented and unsupported meals.

In addition, your report confirms SDC's improvement of the Food Service program including:

- Over the last 2 years, SDC has steadily improved the food service program's adherence to regulations. This is evidenced by a 75% decrease in the number of meals questioned from March 1997 to March 1999.
- SDC has implemented a comprehensive compliance process that includes record keeping, technical assistance, monitoring and training. Centers representing 67% of the questioned meals have chosen to end their participation in our program.
- Long-term food service staff responsible for managing the program left the program in 1999. Current food service program management adheres to all federal and state regulations.
- All financial issues raised by the previous OIG audit have been resolved and SDC maintains a separate food service account.
- SDC financial controls continue to be solidly in place. As identified in the audit, SDC appropriately allocates staff in the year round and summer food program.

Summarizing our understanding of the audit results, we note that you question a net amount of \$1,085,000 for the audit period. Repeatedly in your audit document you refer to the fact that, except for the absence of records that SDC did not require centers to maintain, you have no reason to question most of the lunches and suppers that were not documented.

We recognize your role, as auditors, is to question all meals for which records were not available. It is our desire to resolve, with DPI, the findings of your audit in light of the fact that the great majority of the questioned meals did indeed get served to children.

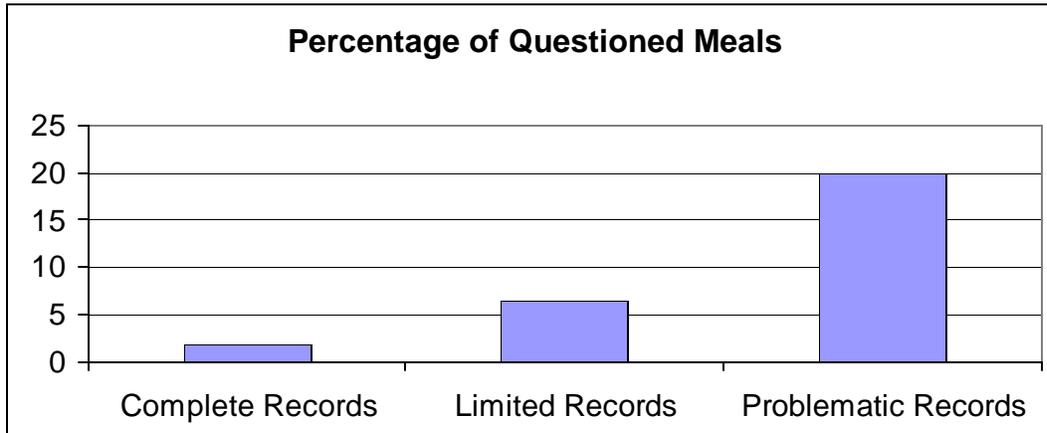
In general, your findings on issues related to the more limited OIG audit reveal that the SDC has taken reasonable actions to address the concerns raised by the OIG. It also stated an additional amount of interest (\$2,276.00) earned on program cash balances should be paid to the program. This has been paid as of April 7, 2000.

DPI also requested that you review SDC's methods for recording and allocating work effort to and between the CACFP and the federal Summer Food Service Program. You conclude that SDC has reasonable procedures to ensure that these costs and allocations are fair and accurate.

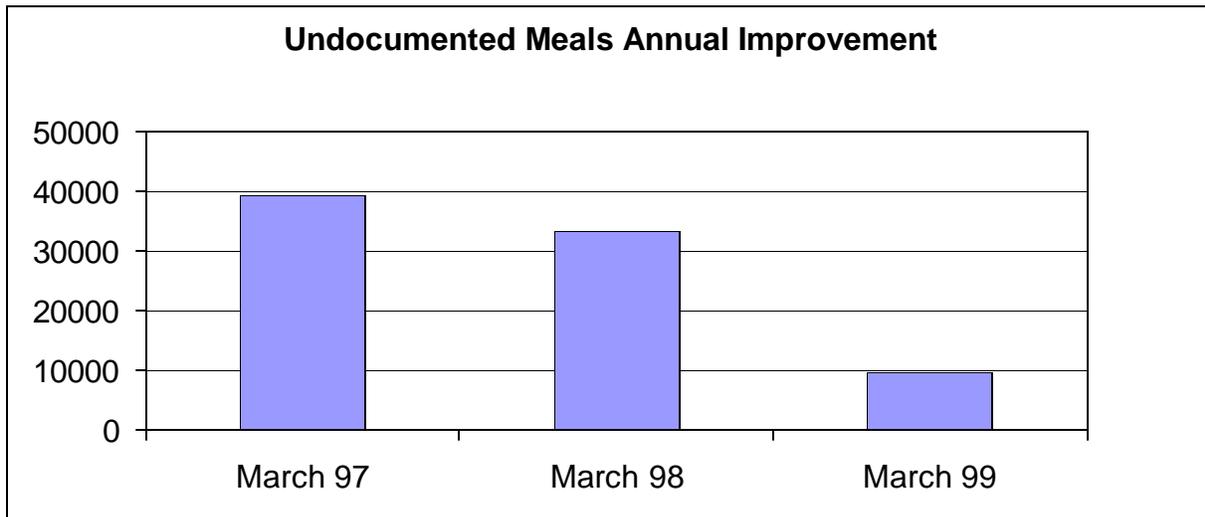
Additionally, for the centers that had complete or nearly completed records (31), only 1.89% of the meals tested were questioned. Centers that had limited or no records (29) were only tested to the extent that records could be produced, and this audit sample produced a 6.47% questioned meal rate.

A number of centers (23) were considered problematic in that they produced some records but these records appear incomplete due to the fact that the number of meals questioned, based on the records reviewed, amount to 19.99%.

In summary, the percentage of questioned meals is reduced where more complete records are available. The results of this can be seen in the following chart:

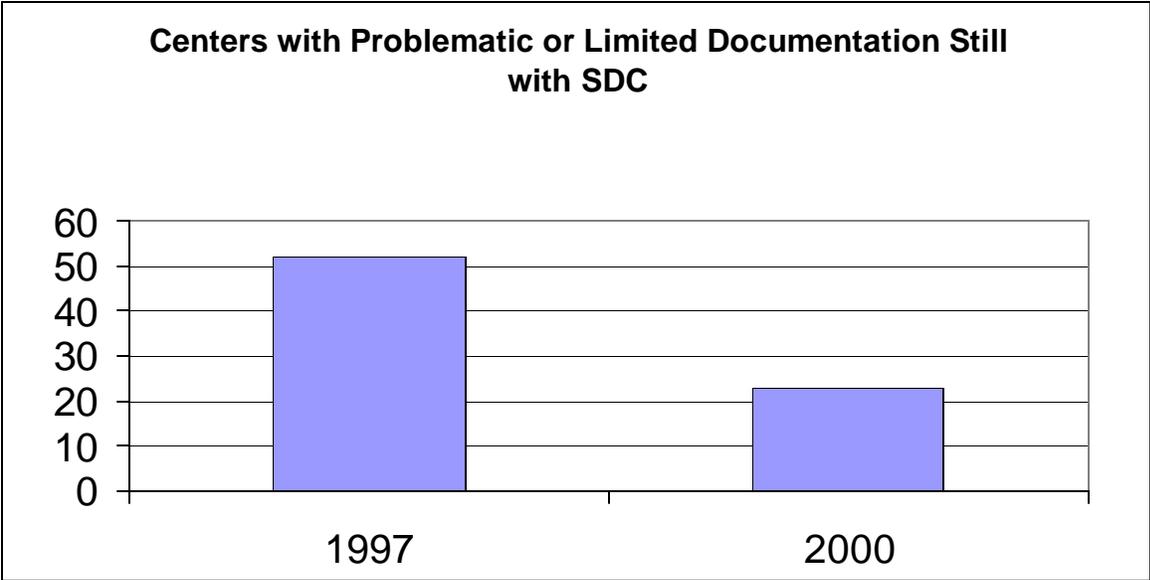


While SDC understands your audit findings, we believe that the great majority of the meals in question did indeed get served to needy children. It should be noted that for the first month of the audit (3/97) you question 39,285 meals and for the final month (3/99) you question 9,793 meals. This 75% improvement can best be seen from this chart:



Additionally, subsequent to the OIG audit, which was issued in December of 1998, an intense effort has been made to implement a strict monitoring and reporting system. As evidence of this effort, centers representing 67% of the questioned meals have decided not to continue with our program. Former food service management staff responsible for managing the program are no

longer employed with SDC and have been replaced by program managers who adhere to all federal and state regulations. Another vendor in Milwaukee now sponsors the majority of these non-compliant sites.



We appreciate your noting the numerous ways in which SDC has taken steps to improve administration of the food program. SDC has worked with DPI to provide full and accurate information to childcare centers regarding record-keeping policies and procedures that will meet minimum state and federal requirements. SDC has provided the centers with mandatory training in this regard. New sponsorship agreements have been implemented to require compliance with federal rules and regulations. SDC has also increased monitoring efforts to ensure the continued education and compliance of childcare centers.

Our efforts to address the concerns identified by the OIG audit include establishing a segregated interest-bearing cash account to hold surplus program funds. This account was established above the level required and has been maintained at that level. Interest earnings on this account remain in the account to comply with the federal regulations.

SDC's accounting system properly accounts for revenues and expenses applicable to the food programs. As noted in your report, SDC has established reasonable procedures to ensure salaries and other costs of the employees engaged in food service activities are fairly charged to the food programs, in accordance with federal requirements.

We will be working with DPI to project reasonable estimates of the meal reimbursements due for the undocumented meals. A large percentage of these meals were served to programs administered by the Boys and Girls Club, the YMCA and other reputable agencies. Upon further review of additional information and collateral documentation, we expect to account for the vast majority of these meals

SDC appreciates the professionalism and courtesy displayed by your audit staff during this process.

Sincerely,

A handwritten signature in cursive script that reads "Deborah Blanks".

Deborah Blanks
Executive Director